

**REPORT OF THE AUDIT OF THE
MEADE COUNTY
SHERIFF**

**For The Year Ended
December 31, 2005**

EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE MEADE COUNTY SHERIFF

**For The Year Ended
December 31, 2005**

Douglas R. Wise & Company, PSC has completed the Meade County Sheriff's audit for the year ended December 31, 2005. Based upon the audit work performed, the financial statement presents fairly, in all material respects, the revenues, expenditures, and excess fees in conformity with the regulatory basis of accounting.

Financial Condition:

Excess fees decreased by \$13,366 from the prior year, resulting in excess fees of \$348 as of December 31, 2005. Revenues increased by \$47,214 from the prior year and expenditures increased by \$60,580.

Deposits:

The Sheriff's deposits were insured and collateralized by bank securities or bonds.

CONTENTS

PAGE

INDEPENDENT AUDITOR'S REPORT	1
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS	3
NOTES TO FINANCIAL STATEMENT	6
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	11



The Honorable William Haynes, Meade County Judge/Executive
Honorable Clifford L. Wise, Meade County Sheriff
Members of the Meade County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the County Sheriff of Meade County, Kentucky, for the year ended December 31, 2005. This financial statement is the responsibility of the County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Sheriff's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the County Sheriff for the year ended December 31, 2005, in conformity with the regulatory basis of accounting.

In accordance with Government Auditing Standards, we have also issued our report dated May 30, 2006, on our consideration of the County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Honorable William Haynes, Meade County Judge/Executive
Honorable Clifford L. Wise, Meade County Sheriff
Members of the Meade County Fiscal Court

This report is intended solely for the information and use of the County Sheriff and Fiscal Court of Meade County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these interested parties.

Respectfully submitted,

A handwritten signature in black ink that reads "Douglas R. Wise & Company PSC". The signature is written in a cursive, flowing style.

Douglas R. Wise & Company, PSC

Audit fieldwork completed -
May 30, 2006

MEADE COUNTY
CLIFFORD L. WISE, COUNTY SHERIFF
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2005

Revenues

State - Kentucky Law Enforcement Foundation Program Fund	\$	25,801
--	----	--------

State Fees For Services:

Finance and Administration Cabinet		66,427
------------------------------------	--	--------

Circuit Court Clerk:

Fines and Fees Collected		8,285
--------------------------	--	-------

Fiscal Court		84,677
--------------	--	--------

County Clerk - Delinquent Taxes		2,495
---------------------------------	--	-------

Commission On Taxes Collected		328,063
-------------------------------	--	---------

Fees Collected For Services:

Auto Inspections	\$	7,669	
Accident/Police Reports		1,684	
Serving Papers		41,183	
Sheriff Add-On Fees		44,873	
Sheriff's Advertising Cost		715	
Carrying Concealed Deadly Weapon Permits		13,585	
Forfeitures		54,179	
Meade County Ordinance Fee		6,800	
Dare Reimbursements		28,900	
Mental Health Transport		1,990	
Miscellaneous		2,589	
CFC Process Service		608	
Drug Test		1,490	
Photographs		916	
Insurance Reimbursement		5,958	213,139

Interest Earned	\$	7,869
-----------------	----	-------

The accompanying notes are an integral part of this financial statement.

MEADE COUNTY
 CLIFFORD L. WISE, COUNTY SHERIFF
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2005
 (Continued)

Revenues (Continued)

Borrowed Money:

State Advancement	\$ 20,000	
Bank Note	88,365	108,365

Total Revenues		\$ 845,121
----------------	--	------------

Expenditures

Operating Expenditures and Capital Outlay:

Personnel Services-

Deputies' Salaries	\$ 368,279
Kentucky Law Enforcement Foundation Program Fund	23,604

Employee Benefits-

Employer's Share Social Security	32,389
Employer's Share Retirement	2,301
Employer Paid Health Insurance	41,699

Contracted Services-

Advertising	218
-------------	-----

Materials and Supplies-

Office Materials and Supplies	15,900
Police Supplies	10,429
Uniforms	7,867

Auto Expense-

Gasoline	35,926
Maintenance and Repairs	14,526

Other Charges-

Postage	6,090
Copier Service Agreement	840
Computer Maintenance Agreement	15,726
Meade County Ordinance Fee	9,774
Meals for Jurors	89
Extradition Expense	4,494
Radio and Telephone	11,180
Training	1,681

The accompanying notes are an integral part of this financial statement.

MEADE COUNTY
 CLIFFORD L. WISE, COUNTY SHERIFF
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2005
 (Continued)

Expenditures (Continued)

Operating Expenditures and Capital Outlay: (Continued)

Other Charges- (Continued)

Bond	\$	294
Carrying Concealed Deadly Weapons Permits		9,825
Sheriff Sale		330
Reimbursements		2,052
Miscellaneous		1,325
Capital Outlay-		
Vehicles		49,672
Debt Service:		
State Advancement		20,000
Notes		88,365
Interest		432
Total Expenditures	\$	775,307
Net Revenues	\$	69,814
Less: Statutory Maximum		69,466
Excess Fees	\$	348
Less: Training Incentive Benefit		0
Excess Fees Due County for 2005	\$	348
Payments to Fiscal Court - January 11, 2006		341
Payments to Fiscal Court - May 2, 2006		7
Balance Due Fiscal Court at Completion of Audit	\$	0

The accompanying notes are an integral part of this financial statement.

MEADE COUNTY
CLIFFORD L. WISE, COUNTY SHERIFF
NOTES TO FINANCIAL STATEMENT

December 31, 2005

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the County Sheriff as determined by the audit. KRS 134.310 requires the County Sheriff to settle excess fees with the fiscal court at the time he files his final settlement with the fiscal court.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive) at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2005 services
- Reimbursements for 2005 activities
- Tax commissions due from December tax collections
- Payments due other governmental entities for payroll
- Payments due vendors for goods or services provided in 2005

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

MEADE COUNTY
CLIFFORD L. WISE, COUNTY SHERIFF
NOTES TO FINANCIAL STATEMENT
December 31, 2005
(Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer defined benefit pension plan that covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members.

Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. Hazardous covered employees are required to contribute 8.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 8.48 percent for the first six months and 10.98 percent for the last six months of the year. The county's contribution rate for hazardous employees was 22.08 percent for the first six months and 25.01 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, and (c) an official record of the depository institution. These requirements were met.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The County Sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of December 31, 2005, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

MEADE COUNTY
CLIFFORD L. WISE, COUNTY SHERIFF
NOTES TO FINANCIAL STATEMENT
December 31, 2005
(Continued)

Note 4. Drug Awareness Resistance Education Fund

The Meade County Sheriff maintained a Drug Awareness Resistance Education (D.A.R.E.) fund. This fund provided a salary for an officer to promote drug awareness and drug prevention among local youth. The D.A.R.E. fund had a balance of \$14,460 as of January 1, 2005. Receipts were \$3,575 and disbursements were \$14,286. The Balance as of December 31, 2005 was \$3,749.

Note 5. Forfeiture Account

The Meade County Sheriff maintained a Forfeiture Account fund. The Forfeiture Account fund had a balance of \$1 as of January 1, 2005. Receipts were \$0 and disbursements were \$0. The Balance as of December 31, 2005 was \$1.

Note 6. Related Party Transactions

During the fiscal year ended December 31, 2005, the Meade County Sheriff's office conducted business with Meade County Bank. The Meade County Sheriff's office manager is an officer and employee of Meade County Bank. Transactions involving Meade County Bank and the Meade County Sheriff's office should be reviewed by the Meade County Ethics Board to determine that no ethical violations had occurred.

Note 7. Bank Advances

On September 9, 2005, the Meade County Sheriff entered into a loan agreement to borrow up to \$100,000 from Meade County Bank for the purchase of two police cruisers. During the calendar year ended December 31, 2005, \$88,365 was drawn on this note. The note was repaid on November 30, 2005 with interest at 6.0 %.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



The Honorable William Haynes, Meade County Judge/Executive
Honorable Clifford L. Wise, Meade County Sheriff
Members of the Meade County Fiscal Court

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the Meade County Sheriff for the year ended December 31, 2005, and have issued our report thereon dated May 30, 2006. The County Sheriff's financial statement is prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Meade County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Meade County Sheriff's financial statement for the year ended December 31, 2005, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and the Kentucky Governor's Office for Local Development, and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink that reads "Douglas R. Wise & Company PSC". The signature is written in a cursive, flowing style.

Douglas R. Wise & Company, PSC

Audit fieldwork completed -
May 30, 2006

